GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:951
ANSWERED ON:27.07.2001
SHIFTING OF INDIAN COMPANIES TO FOREIGN COUNTRIES
A.P. JITHENDER REDDY

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government are aware that approximately one thousand Indian companies have shifted or are planning to shift their business establishments to some foreign countries;

(b) if so, whether the Government have identified the reasons for their shifting;

(c) if so, the details thereof; and

(d) the steps taken or being taken by the Government to discourage such a move which is detrimental to the Indian Economy and rather persuade them to continue their business establishments in the country?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (DR. RAMAN SINGH)

(a) to (d): Outward investment is a means for Indian companies to establish their presence in other parts of the world. It gives them an opportunity to expand their market overseas. The Government has put in place a liberal policy for outward investment under which companies can access the automatic route up to US$50 million subject to core activity and networth criteria.
Companies are also allowed to make outward investment against GDR/ADR receipts and export earnings, and by way of equity swap wherein an Indian company acquires equity stake in an overseas company by swapping its own equity with that of the overseas company at an approved ratio determined by RBI.The cases falling outside automatic route are considered by RBI as per FEMA Regulations.